

# INSURANCE DIVISION[191]

## Adopted and Filed

Pursuant to the authority of Iowa Code section 508.36, the Insurance Division hereby amends Chapter 47, "Valuation of Life Insurance Policies," Iowa Administrative Code.

Chapter 47 provides tables of select mortality factors and rules for their use, rules concerning a minimum standard for the valuation of plans with nonlevel premiums or benefits, and rules concerning a minimum standard for the valuation of plans with secondary guarantees. This chapter is issued under the authority of Iowa Code section 508.36(3)"a"(3)(c) and is intended to implement Iowa Code section 508.36(6)"c." This amendment removes restrictions on the mortality adjustment factors (X factors) in the deficiency reserve calculation required by the Valuation of Life Insurance Policies Model Regulation. The Division intends that Iowa insurance companies and insurance holding companies will comply with the amendment beginning December 8, 2010.

Notice of Intended Action was published in the Iowa Administrative Bulletin on September 8, 2010, as **ARC 9059B**. Comments regarding this amendment were to be received during the comment period and at the public hearing on September 28, 2010. No public comment was received, and this amendment is identical to the one published under Notice of Intended Action.

This amendment is intended to implement Iowa Code section 508.36(6)"c."

This amendment will become effective December 8, 2010.

The following amendment is adopted.

Amend paragraph **47.4(2)"c"** as follows:

c. For durations in the first segment, X percent of the select mortality factors in the appendix, subject to the following:

(1) X may vary by policy year, policy form, underwriting classification, issue age, or any other policy factor expected to affect mortality experience;

~~(2) X shall not be less than 20 percent;~~

~~(3) X shall not decrease in any successive policy years;~~

(4) (2) X is such that, when using the valuation interest rate used for basic reserves, "1" below is greater than or equal to "2";

1. The actuarial present value of future death benefits, calculated using the mortality rates resulting from the application of X;

2. The actuarial present value of future death benefits calculated using anticipated mortality experience without recognition of mortality improvement beyond the valuation date;

~~(5) (3)~~ X is such that the mortality rates resulting from the application of X are at least as great as the anticipated mortality experience, without recognition of mortality improvement beyond the valuation date, in each of the first five years after the valuation date;

~~(6) (4)~~ The appointed actuary shall increase X at any valuation date where it is necessary to continue to meet all the requirements of paragraph 47.4(2)"c";

~~(7) (5)~~ The appointed actuary may decrease X at any valuation date as long as X ~~does not decrease in any successive policy years and as long as it~~ continues to meet all the requirements of paragraph 47.4(2)"c"; and

~~(8) (6)~~ The appointed actuary shall specifically take into account the adverse effect on expected mortality and lapsation of any anticipated or actual increase in gross premiums.

~~(9) (7)~~ If X is less than 100 percent at any duration for any policy, the following requirements shall be met:

1. The appointed actuary shall annually prepare an actuarial opinion and memorandum for the company in conformance with the requirements of 191—subrule 5.34(3); ~~and~~

2. The appointed actuary shall disclose, in the regulatory asset adequacy issues summary, the impact of the insufficiency of assets to support the payment of benefits and expenses and the establishment of statutory reserves during one or more interim periods; and

~~2.~~ 3. The appointed actuary shall annually opine for all policies subject to this chapter as to whether the mortality rates resulting from the application of X meet the requirements of paragraph 47.4(2)“c.” This opinion shall be supported by an actuarial report, subject to appropriate Actuarial Standards of Practice promulgated by the Actuarial Standards Board of the American Academy of Actuaries. The X factors shall reflect anticipated future mortality, without recognition of mortality improvement beyond the valuation date, taking into account relevant emerging experience.

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EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 11/3/10.